



**Our 18th Annual General Meeting will be held
January 16-17, 2019
Best Western Glengarry
Truro**

See below for advance copy of our AGM Booklet

*Please contact Jennifer Walters at jwalters@dfns.ca
or call 902-893-6455, ext. 6 if you have any questions.*



18th Annual General Meeting

January 16-17, 2019
Best Western Glengarry
Truro, NS



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AGENDA

Wednesday, January 16th

9:00 am	Registration
9:30 am	Call to Order and Chair's Opening Remarks
9:45 am	Canadian Dairy Commission Report
10:30 am	Dairy Farmers of Canada Report
11:30 am	Messages from Other Provinces
11:45 am	A4 Committee Update
12:00 pm	Lunch <i>(provided)</i>
1:30 pm	Phil Vanderpol—Vitalus Nutrition Inc.
2:30 pm	Business Meeting
3:30 pm	Nutrition Break
4:00 pm	Policy Discussions
5:00 pm	Adjourn
6:00 pm	Host Bar
6:30 pm	Banquet

Banquet Program

*NS Minister of Agriculture's Address
Milestone Excellence Award Winners
Retiring Director: Derick Canning
Honourary Member: Bob Adams
Special Recognition:
Nathalie Roy & Dwane Mellish*

Thursday, January 17th

7:00 am	Breakfast
9:00 am	Brooke McNeil—Dal 'AC
9:15 am	proAction Update
9:30 am	Business Meeting Reconvenes for Voting on Budget
10:15 am	Nutrition Break
10:45 am	Morneau Shepell—Producer Benefit Changes
11:00 am	Policy Discussions
12:15 pm	Lunch <i>(provided)</i>
1:30 pm	Closed Session <u>for producers only</u>
3:00 pm	Adjourn

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BOARD OF DIRECTORS' REPORT

This report is an update of issues and major decisions taken by your Board of Directors. The board held fifteen meetings in person or by conference call to deal with the many issues facing our industry and organization. All Directors were fully engaged in creating solutions and providing direction for our industry. Congratulations to David Bekkers and Greg Archibald as returning Directors, each for their second term, and welcome to Tony Versteeg, starting his first term with DFNS. A warm thank you to Derick Canning, who leaves the board after nine years.

2018 has been a challenging year in the dairy industry! On the national front, the renegotiation of NAFTA took centre stage with our industry incurring further injury through a combination of increased market, capping protein exports, and our government forfeiting sovereignty to the US over our domestic dairy policy. These disappointing outcomes led to unprecedented producer mobilization pushing back to MPs and Senators. Consumers also showed support for dairy farmers, which we hope will carry over to them seeking out and choosing Canadian milk and dairy products. As everyone knows, the combined impact of CETA, CPTPP, and now CUSMA, will displace 18% of our domestic dairy market when they are all fully implemented in 2024!

Dairy Farmers of Canada took a lead role in gathering and reflecting the many producer disappointments flowing from these trade negotiations. DFC also advocated program administration issues for Phase 1 of the Dairy Farm Investment Program and its \$126 million in matching funding. The federal government listened, and adjusted the process to apply for a share of the \$98 million Phase 2 funding in early 2019. Other national issues included Front-of-Pack warning labels, a reduced profile of dairy in Health Canada's Food Guide, ongoing border issues, and a shift in funding DFC's promotion, nutrition, and marketing activities.

NAFTA renegotiations also touched the National Ingredient Strategy with the removal of class 7, capped exports, and the unprecedented oversight of domestic dairy policy given to the US. A national working group is developing a plan to implement once class 7 is gone. Two other national working groups were formed in late 2018: one to address CPTPP & CUSMA mitigation, and another to set a vision for the national dairy sector. Reports are expected in early 2019.

The P5 Quota Committee was very active this past year in sending the right signals to producers to match milk and markets. It was a year of "catch-up" milk production, then putting on the brakes as production exceeded markets. For the first time since 2009, the provinces are on differing quota issuance levels, but expect to have this harmonized again by summer 2019.

BOARD OF DIRECTORS' REPORT

DFNS also participated in the Atlantic Dairy Policy Conference with other boards and producers from across the region. Initiatives include Atlantic Dairy Research Council, and further investigating harmonization among the four organizations.

This fall, there were two applicants and one successful candidate for our New Entrant Program.

The Canadian Dairy Commission invoked exceptional circumstances, which led to a September 2018 national milk pricing adjustment to narrow the gap between cost of production and the all milk returns. The change equated to a 4% increase in blend price returns to producers. Our provincial blend price stabilized considerably in 2018, largely as we moved further away from the bumps created by year-end audits, and implementing the National Ingredient Strategy.

Nova Scotia farms are completing the first two-year round of full proAction validations, including Animal Care and Livestock Traceability. Training on Biosecurity took place in the fall of 2018 in advance of September 2019 implementation. The Board initially considered annual proAction validations, but chose instead to spend a year learning from the New Brunswick and P.E.I. experiences. Our proAction Coordinators Nancy Douglas and Lindy Brown continue to provide valuable support as producers implement proAction. VALACTA also started a service to assist producers in complying with the program.

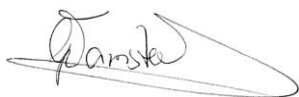
Natural Products Marketing Council's directive to amend the Advisory Committee Regulations, in response to consolidation in our industry, will result in changes to this long-standing joint producer/processor committee.

Monthly reports to the Board indicate consistently improved milk test results. Zero missing results remains a challenging objective, since it involves many steps. The board is revising our cost sharing formula with processors for component results, and initiated plant antibiotic test cost sharing this year.

Your Board of Directors wishes to thank staff for their continuing hard work as administrative work increases in both scope and complexity. Their experience and commitment to our industry is greatly appreciated.

The board looks back on the accomplishments in 2018 with pride, and is looking forward to taking on new challenges in 2019 and beyond.

Respectfully Submitted,



Gerrit Damsteegt on behalf of the DFNS Board

GENERAL MANAGER'S REPORT

It is my pleasure to submit this report to our Membership. We accomplished many items in 2018, but some challenges remain. Here is a snapshot:

Information Technology – For sure, this is the largest project DFNS has ever taken on. Despite considerable effort during an in-depth requirements gathering process this past year, the Board faced substantial additional costs to get to the finish line. After several months of reviewing options, the Board withdrew from our four-year Milk Marketing System project. Nova Scotia became the fourth province to withdraw, leaving BC, Alberta, and Manitoba to complete what began with eight provinces.

The alternate path being evaluated goes through the Quebec Board's robust computer program. Aligning with a fully functioning/integrated program will require less testing, and is being made available to us without a licensing fee. New Brunswick is also working on this project and sharing a consultant with DFNS. While adaptation costs and a transition plan are being finalized, it looks encouraging as a replacement for our current central system, which is heavily supported by spreadsheets and databases.

Handheld Devices – The handheld program continues to provide reliable data on milk pick-up and delivery, and has quickly become foundational information for many important DFNS functions. We continue to participate with five other provinces in a managed services contract for handhelds, to ensure programs remain current and any issues are addressed promptly. An opportunity exists to move to the Quebec handheld system as well.

Regulation Changes – *Milk Pricing* and *Bulk Haulage Regulations* were updated this past year. We await the *Raw Milk Production* and *Transportation Regulations*, and have joined forces with the Department of Agriculture to ensure their smooth adoption on-farm during implementation. Thanks to Council staff and our industry stakeholders for their cooperation in amending regulations to reflect improvements needed for our industry moving forward.

Staffing Changes – Last year, I indicated DFNS would be rebalancing our human resources and workloads following Dwane Mellish's retirement. A staff retreat last February, assisted by Dairy Farmers of Ontario's HR specialist, created a roadmap going forward. Tom Oostvogels joined our team as Operations Coordinator in May, followed by Kimberly Harrison, our new Assistant General Manager, in early July. These additions provided the opportunity to realign some work assignments, with a goal of rebalancing roles and adding back-up for critical functions. Kimberly is leading that effort, while Tom commits considerable effort in placing milk and monitoring milk samples.

GENERAL MANAGER'S REPORT

Pool and National Technical Work – I represent DFNS on several technical committees (TC) where options for policy makers are formulated using the most current figures and trends. Here are three examples:

The *Quota TC* met several times, analyzing production and market trends and providing options for “sending the right signals” to producers across the pool. While this is far from an exact science, there is value in reaching a common objective to feed the policy meetings.

The *P5 TC* has further streamlined calculations to determine how much milk needs to be moved interprovincially based on where market growth occurs, and therefore where the milk needs to be.

At a national level, the *Secretariat* completed a two-year process to move to monthly calculations for total requirements (the market), and total quota which, while being more volatile, will ensure the system is managed more tightly.

Other Items – We are watching the non-compliance rates under the P5 Milk Quality Rules, as some producers still need to adjust their management and outlook on producing quality milk. A hot, humid summer led to more SCC infractions than we have seen in many years. We also partnered with Dairy Farmers of New Brunswick in contracting proAction validations for both provinces, together with our Atlantic Coordinators Nancy Douglas and Lindy Brown.

Looking Forward – 2019 will be another year of transition as we likely move to the Quebec IT system, including producer, processor, and transporter web access information pages. We will also ramp up to host Dairy Farmers of Canada's AGM in July 2020, on the heels of another Dairy Focus Atlantic in March. I also see our relationship with our processors evolving, as there is a push to adopt more common policies across provinces. While harmonization is an honorable goal, producers can remain certain that DFNS will always have their best interests front and center.

Despite these challenges, I have full confidence in the dedication of our staff and want to express my admiration for their flexibility, hard work, and problem-solving approaches in carrying out their monthly routines and implementing board direction.

Respectfully submitted,



Brian Cameron

The Canadian Dairy Commission

As national facilitator and chief administrator for the dairy industry, the CDC undertakes a number of activities and programs:

Industry Support

Through its chairmanship and work for the Canadian Milk Supply Management Committee (CMSMC), the CDC provides ongoing support to the Canadian dairy industry while operating in close co-operation with national and provincial stakeholders and governments.

Facilitator

It acts as a facilitator and provides secretariat services to the revenue pooling and market sharing systems. Provisions for these functions are set out in the Agreement on the Eastern Canadian Milk Pooling, the Western Milk Pooling Agreement, and the Comprehensive Agreement on the Pooling of All Milk Revenues. The CDC also administers the financial mechanisms required by these agreements.

Quota

It calculates and recommends to the CMSMC the target national milk production for milk.

Imports/Exports

It has the authority to purchase, store, process, or sell dairy products on the domestic or export market, within World Trade Organization (WTO) commitments. The CDC also imports and redistributes tariff rate quota butter on behalf of the industry.

Support Prices

The Commission establishes support prices at which it will purchase butter and skim milk powder. These support prices are used as references by provinces to establish prices for milk used to manufacture products such as butter, cheese, and ice cream.

Industry Programs

- It administers the Special Milk Class Permit Program and issues permits allowing further processors to have access to competitively-priced dairy ingredients, and allowing exporters to export dairy products within Canada's WTO commitment levels.
- It develops and implements marketing programs and services aimed at encouraging food manufacturers to maintain or increase their use of dairy ingredients in their various products. These activities are guided by the objectives set out in the Dairy Marketing Program.

Audits

The CDC carries out internal audits of its systems and practices as well as external audits, which are in large part performed on companies participating in the Special Milk Class Permit Program and it encourages the harmonization of audit procedures for dairy plants among provinces.

Run for farmers by farmers, DFC is the voice of Canadian dairy farmers.

Dairy Farmers of Canada (DFC) is the national policy, lobbying and promotional organization representing Canada's farmers living on approximately 12,000 dairy farms. DFC strives to create stable conditions for the Canadian dairy industry, today and in the future. It works to maintain policies that foster the viability of Canadian dairy farmers and promote dairy products and their health benefits. Dairy farmers fund its operations, including promotional activities.

DFC's Mission

- Educate
- Facilitate
- Mobilize

To ensure the sustainable production of milk and the healthy consumption of Canadian dairy products.

DFC's Vision

Canadian dairy for a healthy future. To enhance the revenue and image of the Canadian dairy farmer and contribute to the growth of the Canadian dairy market. We will:

- Be the voice of all Canadian dairy farmers on the national and international level.
- Lead (in collaboration with members) the development of national dairy position statements and advocate for dairy related policies and regulations.
- Develop, implement and administer designated programs and strategies on marketing, nutrition, policy, communication and government relations.
- Maintain a strong and united support for a national system of supply management.
- Be a credible source of information on dairy related issues and initiatives.
- Support research in dairy production and nutrition.

DFC's Values

- Teamwork
- Integrity
- Passion
- Dynamism
- Sustainability

DFC is Committed to:

- The Environment
- Our Animals
- Food Safety
- Growing the Market
- Economic Sustainability
- Research & Development



On behalf of your Board of Directors, I'm pleased to present the Report of the Board. This is an opportunity to showcase the dedication of the Dairy Farmers of Canada (DFC) Board members to you, and to our dairy industry.

In addition to our provincial commitments, we devote time and energy to renewing and reinventing our national organization for the benefit of our members and the entire industry in a changing environment. In this context, the Board has undertaken a restructuring of DFC, with the goal to have the right structure in place to reflect the new financial reality of the organisation. We have also engaged in modernisation exercise leading to shaping DFC 2.0.

Meetings of the Board of Directors

Since the Annual Dairy Policy Conference, the Board of Directors has met shortly after the Conference in February, and again in March and June.

In March and June, the Board took time to lobby key MPs and senators, as well as ministerial staff on two issues that can cause serious economic impact on the dairy sector— the healthy eating strategy and trade. Pressing the politicians to understand the impact of Health Canada's Healthy Eating Strategy on Canada's dairy sector, members discussed key points made in DFC's submission to Canada Gazette, Part 1. The Board also shared its concern regarding the potential impact of the North American Free Trade Agreement renegotiations on Canada's dairy farmers.

In March, the Board received the visit of Brian Clow, Director, Canada-US Relations, from the Office of the Prime Minister, and other members of his team as well as the Chief of Staff of the Minister of Agriculture's office. Mr. Clow provided information and insight into the NAFTA negotiations.

At the June meeting, we welcomed the new chairman of the Canadian Dairy Commission, Mr. Serge Riendeau and Mary-Scott Greenwood, from Dentons US LLP, a Washington, D.C. government relations firm, provided insight on U.S. politics, NAFTA and the current Trump Administration.

The Board approved the transfers from reserves or 2017 budget to the 2018 budget in the total amount of \$3.57 million to complete projects that were started last year:

- proAction® Initiative
- Dairy Research Cluster 2
- A strategic campaign for NAFTA and the defense of supply management
- The website revamp of DFC organizational hub and the Teach Nutrition hub

The Board also approved the funding of the following new 2018 activities:

- Early Learning and Child Care Program (Good Beginnings)
- An action plan to influence the Healthy Eating Strategy
- Leadership training and change management

DAIRY FARMERS OF CANADA UPDATE



The board gave directions to staff on several policy and political issues, including the ask for strategic measures to encourage investments, following trade agreements that have a negative impact on the sector (CPTPP & CETA). The Board has debated the pricing question, recognizing in June that the spread between Cost of production and farm revenues was increasing and were at more than 3.5% apart. Following a conference call on July 9, the Board mandated the Executive Committee to ask a price adjustment to the CDC.

In other strategic direction, the Board provided guidance for the consultations by the Canadian Food Inspection Agency (CFIA) on a Canadian strategy to react to foreign animal disease, in particular foot and mouth disease. Prevent and mitigate entry into Canada remains the priority. DFC also participated to the consultation on the action plan related to antimicrobial resistance, which includes restriction of the use of antimicrobials.

In March, the Board discussed strategic issues that were highlighted in our market research, namely on the eating habits of Millennials. In June, the Board authorized the creation of a working group with the mandate to develop a strategy and a plan to address the threat of “lab-made” dairy protein substitutes. The Board feels this is important for all of us to understand how these issues intersect and invited a few speakers to address this.

The Board has four active in four committees: finance and audit, promotion, proAction and research. Here is a brief update on their work.

Finance and Audit Committee

The Committee has met in February and in March. In February, the Board approved the 2018 Budget. In March, the Committee reviewed DFC’s Financial Statements for the year ended December 31, 2017 with the auditors. They indicated that the Statements presented fairly, in all material aspects, the financial position of DFC.

Promotion Committee

The Committee met in May to discuss a new approach to marketing, exploring two options. As part of deciding on this new approach, the promotion committee members actively consulted with provincial members and with processors, before making a recommendation to the DFC Board.

The Committee recommended that DFC further use the image of dairy farmers and the nutritional value of dairy products. DFC will therefore reposition its marketing and promotion activities in favour of a campaign highlighting farmer reputation, farm standards and nutrition value, to show what matters to most Canadians.



The Committee believes this type of campaign will reinforce and build awareness of what our logo stands for, highlighting the nutritious value of our products and positive attributes and commitment of dairy farmers. This generic approach will provide a strong base from which processors can build up their own campaigns, and we believe this will increase collaboration with our business partners.

The Board approved the repositioning of DFC's marketing and promotional campaigns. The Board also notes that DFC's summer campaign will highlight the protein content of dairy products on the nutrition value of dairy protein, reusing the "Strong People Get More out of Life" ad campaign of 2017, in the Atlantic provinces and Western Canada.

proAction® Committee

Since February, the Committee has met six times through webinars to advance the development of the program and give direction to technical groups, notably on biosecurity and animal care modules. The **working group for the Environment module remains engaged in discussions, having recently completed a risk analysis to inform their future work.**

The committee approved DFC funding applications to the Canadian Agricultural Partnership program, which supports initiatives designed to build public confidence. The government is supporting industry initiatives such as proAction, including traceability, and DFC greatly appreciates this support.

Canadian Dairy Research Council

The Council met on June 1st to review letters of intent submitted by researchers looking for funding for research projects in human nutrition and health as well as research chairs proposals in dairy production. The Council also reviewed a preliminary analysis of the **Canadian Dairy Research Expertise and the final reports of Dairy Research Cluster 2.**

The five-year **Dairy Research Cluster 2 program ended March 31st.** A total of 27 research activities related to the themes of Sustainable Milk Production, Dairy Genetics and Genomics, and Human Nutrition and Health were realised within an overall budget of \$20.24 M, including \$13.5 M from AAFC, \$5.27 M from DFC, \$750,000 from CDC and \$640,000 from CDN.

External Meeting Participation

The Board of Directors has representatives on several organizations in the agri-food industry including the Canadian Dairy Network (CDN). The latter requested that DFC send additional representatives to their Special Meeting of Members to approve by-law amendments required to officialise the partnership between CDN, CanWest DHI and Valacta. This special meeting took place on April 13, 2018.

DAIRY FARMERS OF CANADA UPDATE



In February, the Board approved the membership structure of the DairyTrace Advisory Committee, which has two DFC voting members, and approved the appointment of Daniel Gobeil in addition to Gert Schrijver.

The board also agreed with the recommendation of the board of BalanceCo to dissolve the organization.

I would like to point out to a number of meetings of importance of DFC President Pierre Lampron. He met several times with the Minister of Health, Ms. Petitpas-Taylor, as well as with the Minister of International Trade, Mr. Champagne, and the Parliamentary Secretary to the Minister of Agriculture, Mr. Poissant. In June, he met with Prime Minister Trudeau.

The President and other board members participated in the seventh round of NAFTA negotiations in February and met with various groups including the Teamsters, the American Sugar Alliance, CANILEC and Canadian government officials to get different perspectives on the negotiations. DFC Board members and staff have continued to attend other key meetings when there were no more official rounds. DFC President Pierre Lampron and DFC Vice-President David Wiens continue to be spokespersons on that matter.

Mr. Lampron attended the AGMs, workshops and board meetings of several members to listen and better understand the needs of members, to be more effective in continuing to work together to address important issues currently facing the industry.

Conclusion

As you have heard, your Board of Directors has been very busy these past few months promoting dairy farmer interests. As we are progressing through 2018, we will continue to represent you in the best way possible. We are always willing to discuss any concerns you may have. We wish you a productive meeting.



*On-Farm Excellence
Excellence à la ferme*

2018 was a busy year for proAction in Nova Scotia. This was the first full year of validations that included the Animal Care and Livestock Traceability Modules, in addition to the ongoing Food Safety requirements. As with anything new, there is a learning curve, but producers seem willing to meet the new criteria. Not

quite half of producers have completed the proAction validations, but they will by August 31, 2019. To date, there have been no penalties applied in Nova Scotia as a result of non-compliance.

Biosecurity is the next module to be rolled out. Producer training started in the fall during the regional meetings. Another round of sessions will take place in the spring of 2019. These new requirements will be included in the validations beginning September 1, 2019.

Validators in Atlantic Canada continue to participate in consistency sessions. The latest session was also attended by a DFO staff person. This allowed for valuable discussion to know that things were very similar in other provinces. They will complete the Biosecurity validation training by DFC staff in April 2019.

DFNS will be participating in a DFC internal audit in 2019. This will see the audit preformed on the provincial coordinators representing DFNS and a validator being shadowed. All provinces complete internal audits and is a step in working towards a third party audit of the proAction program.

Nancy Douglas and Lindy Brown
Atlantic proAction® Coordinators



Nova Scotia Federation of Agriculture

Nova Scotia Federation of Agriculture Annual Report - 2019

Throughout 2018, NSFA was active in advocacy, program delivery and projects.

Through committee work, Standing Policies and resolutions, NSFA has made progress on key issues impacting the industry during 2018. While detailed activities can be found in our Annual Report, there are notable mentions. This year, we made progress on protecting agriculture land through the passing of an update to the Municipal Government Act which makes land planning mandatory, we successfully lobbied for changes to the Safe Food for Canadians Regulations, and met regularly with Minister Colwell to highlight industry issues.

From an organizational perspective, NSFA is working on a strategic planning initiative. We are working with Thyagrissen Consulting to identify the role that NSFA needs to play in our industry and what members expect out of their organization. Members will have opportunities to provide input on the direction of the organization and can watch NSFA's usual channels for more information.

NSFA has also maintained a role in training for farmers. Workplace Education Courses are continuing to be offered in regions where there is enough interest to offer courses. To date, we have 646 graduates from the program. This year, we offered courses in marketing, Microsoft Office, Sage 50 and Microsoft Office Excel. If there's a course that would be of interest to farmers in your area, please contact the NSFA office to make arrangements.

The Environmental Farm Plan Program continues to serve the farm community. Thanks to the program, there are 1976 farms with plans which accounts for 128,000 hectares of farm land. Nova Scotia is unique in that we have a third-party delivered program, contrary to programs in other provinces which have a self-assessment and workbook approach. Congratulations to Lightfoot and Wolfville on receiving the 2018 EFP Stewardship Award.

In 2018, NSFA continue to support farmers through public outreach initiatives. Our continued lead and support for activities like Open Farm Day and the Meet Your Farmer campaign put a face to farming and we encourage members to stand up for their industry to yield the public's trust in our industry.

NSFA would also like to acknowledge our Corporate Members: Farm Credit Canada, Kings Mutual, Patterson Law, Nova Scotia Farm Loan Board, MCT Insurance, Truro Agromart, Morneau Shepell, Scotiabank and Ultramar. NSFA also offers a range of benefits and discounts which are found on the back of your farm registration card and on the NSFA website. These include: Chrysler Canada, Marks Work Warehouse, GBS Mobility, MCT Insurance, Choice Hotels, Morneau Shepell, Turner Drake & Partners, Kent Building Supplies, Enterprise Rent-A-Car, Coast Tire and American Income Life.

Executive Committee

President

Victor Oulton

First Vice

Tim Marsh

Second Vice

Chris deWaal

CFA Director and Past President

Chris van den Heuvel

Members at Large

Amanda Eisses

Sylvestre Dion

Lauren Park

Allan Melvin

Federation Contact Information

Phone:

(902) 893-2293

Email:

info@nsfa-fane.ca

60 Research Drive

Bible Hill, NS

B6L 2R2

www.nsfa-fane.ca

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Standing Policies for 2019

The following policy topics and statements were approved by membership at our Annual Meeting.

Agriculture Land: Agriculture land continues to remain on the standing policy docket for another year. Concerns around agriculture land include increasing farmland values, trespasser damage to land, urban encroachment and the concern that land planning is not effectively taking place across all of Nova Scotia. “It shall be the policy of the Nova Scotia Federation of Agriculture to address land issues through a joint committee and collaborative effort. The Federation will lobby for a comprehensive land use strategy that will include an agricultural land bank, 0% taxation on land owned by a registered farm or land actively maintained as farmland by a registered farmer, access to Crown Land for agriculture use, and support for those who bring land into agriculture production. The Federation will also use the appropriate avenues to request at minimum that 5,000 acres of agriculture land be placed under easement within the five-year review of EGSPA.”

Labour Gap: The agriculture industry is currently facing a labour gap which will continue to widen unless more is done to recruit and retain skilled employees. Other regions facing similar problems have introduced apprenticeship programs to develop and enhance the farm related skills of employees. “It shall be the policy of Nova Scotia Federation of Agriculture to partake in consultations and work with industry stakeholders and organizations to identify changes that need to be made for the foreign worker programs. The Federation will also work with appropriate bodies to ensure training and other translatable supports are available for foreign workers. NSFA will also work with stakeholders to ensure that programs to hire local labour are well communicated and accessible to farmers.”

Regulatory Burden: The regulatory burden in Nova Scotia hinders our industry’s competitiveness. In part, this burden is caused by unclear, conflicting regulations. Some regulations are time consuming while others require farmers to incur significant costs in order to comply. In other circumstances, service delivery or regulation interpretation is inconsistent across regions. “It shall be the policy of the Nova Scotia Federation of Agriculture to continue to monitor, participate and communicate changes to regulations at the provincial and federal levels that will impact agriculture. NSFA will also work with industry stakeholders to ensure compliance requirements are well communicated throughout the industry.”

Transportation: More than \$580 million worth of farmed goods travel over Nova Scotia’s roadways each year. With the upcoming Traffic Safety Act and associated regulations, NSFA will continue to lobby on behalf of farmers for clear and modern regulations. Farmers require the use of roads for many different aspects of farming; not only are goods for sale transported on roadways, farm trucks, tractors and machinery move from field to farm via roadways. “It shall be a standing policy of the Nova Scotia Federation of Agriculture to be actively engaged in the development of new legislation regarding transportation as it pertains to agriculture. NSFA will also lobby Nova Scotia Department of Transportation and Infrastructure Renewal to ensure that agriculture is a lens that is applied with considering the reclassification of roads.”

Climate Change: Nova Scotia farmers are feeling the impacts of climate change through extreme events including droughts, severe precipitation and temperature fluctuations. Managing water resources is a critical component for mitigating against effects of climate change. Agriculture plays a role in reducing greenhouse gas emissions through carbon sequestration. “It shall be the policy of the Nova Scotia Federation of Agriculture to work with government, industry and stakeholders to ensure that the Agriculture Industry of Nova Scotia has the capacity to manage water resources in light of climate change. The Federation will also lobby government to implement programs to support farms with on farm climate change mitigation strategies.”

NS CATTLE PRODUCERS REPORT



2018 was a very busy year for the Nova Scotia Cattle Producers as we continue to work with provincial, regional, and national partners on several research, training, and industry promotion projects.

NSPC partnered with the Maritime Beef Council and held the third annual Maritime Beef Conference. This was by far the biggest and best conference to date. With keynote speaker Dr. Temple Grandin, the event drew more than 450 people the first day, and more than 220 on the second day. This conference continues to be a great event for producers to gather information, network with peers, and participate in conversations about the future of our industry.

This year, NSCP organized the fourth annual Nova Elite Beef Expo held at the NS Provincial Exhibition. This year's Expo featured 92 animals from 16 different exhibitors with more than \$6,800 awarded in prize money. We would like to thank the many volunteers who helped organize the show, as well as those who helped during the show. We would also like to thank our many sponsors who provided prize money for the show, particularly Presenting Sponsor- Atlantic Beef Products from PEI.

In October, with our national partner, Canada Beef, we sponsored the Pinty's Grand Slam of Curling in Truro. As a title sponsor of major sporting events, Canada Beef worked with the Maritime Beef Council to promote beef to the thousands of consumers who attend the events. As part of the event, there was a beef information booth as well as a community beef picnic on October 25th from 4pm to 6pm at the Rath Eastlink Community Centre. The picnic included talks from sponsored curlers on why they choose beef as their preferred protein.

In November, we partnered with Boehringer-Ingelheim and Fundy Veterinarians to host a bob calf health workshop featuring guest speakers Dr. David Kelton and Dr. Frank Schenkels. The focus of the workshop was to provide farmers, vets, and livestock dealers with information on improving the quality of bob calves to increase value.

NSCP continues to be committed to young farmers and New Entrants. In 2018, we continued our partnership with the Nova Scotia Young Farmers Forum to sponsor a delegate to the national young farmers' conference, as well as the annual provincial summer meeting and social. We also continue to support youth in the beef industry by supporting the Nova Scotia Royal Beef Team.

Throughout the year NSCP has worked on several animal health related files. In April, we completed our industry emergency preparedness plan with our partners at the Canadian Animal Health Coalition, Pork Nova Scotia, and the Sheep Producers Association of NS. We have also received funding to conduct a vaccination screening project of feeder cattle in partnership with Perennia, Atlantic Stockyards, and the Atlantic Veterinary College. At our Zone meetings earlier in January, we once again hosted Dr. Claire Windeyer from the University of Calgary who focuses her research and vet practice on early calf health.

In closing, we would like to invite all producers to our upcoming Annual General Meeting which will be held on Saturday March 2, 2019, starting at 10:00 am at the Best Western Glengarry in Truro.

If you have any questions, comments or concerns, please feel free to contact the office office@nscattle.ca or 902-893-7455.

Brad McCallum
NSCP Managing Director

NATURAL PRODUCTS MARKETING COUNCIL REPORT

Natural Products Marketing Council

Report to: Dairy Farmers of Nova Scotia 18th Annual General Meeting

Thank you for the opportunity to report on the work of the Natural Products Marketing Council with respect to the Provincial dairy industry.

The Council is an independent administrative agency created under the *Natural Products Act*. The primary purpose of Council is to supervise the production and marketing of Nova Scotia's regulated agricultural commodities under the *Natural Products Act (1982)* and the *Dairy Industry Act (2000)*. In doing so, Council serves the public interest in maintaining a balance between the interests of industry and the needs of consumers. Council is also an adjudicative board with a mandate to settle disputes among regulated stakeholders within its jurisdiction.

As part of its operational work, Council appoints a dairy inspector under the *Dairy Industry Act*. The dairy inspector position is within the Department of Agriculture. Council is also responsible for the licensing of all dairy jobbers, distributors and processors, as well as producers of goat, sheep and water buffalo milk.

The Council Director also participates in the Canadian Milk Supply Management Committee at the national level and P5 Supervisory Board at the regional level. The P5 Supervisory Board guides regional work under the Agreement on Eastern Canadian Milk Pooling (the "P5 Agreement"), to which Nova Scotia is a party, along with New Brunswick, Ontario, Prince Edward Island and Quebec.

As of the time of writing this report, Council has approved the following amendments/replacements under the *Dairy Industry Act* in 2018:

- *Bulk Haulage Regulations – amendment (3/2018)*
- *Bulk Haulage Regulations – amendment (4/2018)*
- *Bulk Haulage Regulations – amendment (62/2018)*
- *Regulations for Specified Areas – amendment (96/2018)*
- *Bulk Haulage Regulations – amendment (135/2018)*
- *Milk Pricing Regulations – amendment (152/2018)*
- *Schedule 1 – General Regulations – amendment (172/2018)*
- *Fluid Dairy Pricing Regulations – amendment (173/2018)*
- *Bulk Haulage Regulations – amendment (187/2018)*
- *Milk Classes and Categories Regulations – amendment*
- *Milk Pricing Regulations - amendment*

At the request of processors in the Province, through the Nova Scotia Milk Processors' Division of the Atlantic Dairy Council, Council made amendments to the *Regulations for Specified Areas* to allow non-generic couponing and other non-pricing tools, so long as the value of the coupon or non-pricing tool when deducted from the retail price of the fluid milk product does not cause the price of the fluid milk product to drop below the minimum retail price. Previously, couponing and other non-pricing tools were only allowed if the coupon or other non-pricing tool was generic and did not promote any specific dairy brand, in addition to not causing the price to drop below the minimum retail price.

NATURAL PRODUCTS MARKETING COUNCIL REPORT

Council held a Milk Utilization Audit Committee Meeting in November 2018. The Milk Utilization Audit Committee is comprised of the Provincial Auditor, Liz Crouse, two members appointed by the Council from among members of Council, two members appointed by Dairy Farmers of Nova Scotia from among members of the Board, and two members appointed by the Processor Association from among the members of the Processor Association. The meeting received an update on completed audits, made a recommendation for the contract auditor going forward and provided comments on proposed revisions to the *Milk Utilization Audit Committee Regulations*.

Council is pleased to report continued growth in small dairy processing in the Province, with several amendments requested by small processors to their licenses over the last year and a number of new small dairy processing licences issued.

Council also continues to see an increasing number of distributor licence applications, particularly from out-of-province. Council made an amendment to the *Schedule 1 – General Regulations* to allow for the distribution of milk and fluid milk products in 1.5L containers in the Province effective October 1, 2018, as well as amendments to the *Fluid Dairy Pricing Regulations* to provide minimum wholesale and retail prices for 1.5L containers.

As Council Chair, I was very pleased to be invited to and attend the A-4 Conference in Moncton on November 22nd to 23rd. This conference was an excellent opportunity to gain a better understanding of the industry issues and concerns.

Council is looking forward to continuing to play an active role in working with the Provincial dairy industry.

Ian Blenkharn, P.Ag.
Chair, Natural Products Marketing Council

BIOGRAPHIES

Pierre Lampron, President, DFC

Pierre Lampron has been a dairy farmer since 1987, in Mauricie, Quebec. He was elected to the Board of Directors of the Producteurs de lait du Quebec in 2000 and appointed to the Board of Dairy Farmers of Canada in 2007.

With his two brothers, Pierre owns an organic dairy farm of 140 cows and 1000 acres of crops. Pierre Lampron's engagement nationally includes leading the sustainability initiative's committee on animal care, and he has participated in the DFC promotion committee since 2007. Furthermore, he is a member of the Canadian Animal Health Coalition executive committee and on the National Farmed Animal Health and Welfare Council.

Pierre Lampron has also been active provincially, sitting on various committees and as president of Valacta since 2013. As a leader, Pierre believes that by working together, dairy farmers can be more successful in reaching their goals and advancing their cause.

Pierre climbed Mount Kilimanjaro on behalf of DFC in February 2017, and raised more than \$500,000 in association with Tim Horton Children Foundation.

Pierre and his wife Annick have three children.

Jacques Lefebvre, Chief Executive Officer, DFC

Jacques Lefebvre joined Dairy Farmers of Canada as Chief Executive Officer in January 2018, after leading the Dairy Processors Associations of Canada (DPAC-ATLC) as its President and Chief Executive Officer for two years.

His career spans over 25 years and includes experience in senior management, government relations, strategic affairs, stakeholder relations, communications (media, corporate and reputation/branding campaigns), change management and journalism.

He began his career as a journalist covering a broad spectrum of issues for both television and radio, including politics as a national affairs reporter. In 1996, he was elected President of the Parliamentary Press Gallery. Building on this experience, he transitioned into the federal government and held senior positions with Cabinet Ministers.

Jacques Lefebvre left government in 2001 to pursue senior executive opportunities with Canada's Research-Based Pharmaceuticals (Rx&D) and the Canadian Medical Association (CMA). As a spokesperson, Jacques has commented both in English and French on critical files in the media across Canada, the U.S. and several other countries.

Throughout his career, Jacques Lefebvre's strategic advice has been sought after by Ministers, corporate and not-for-profit leaders and boards of directors. His engagement on boards of directors includes Big Brothers and Big Sisters of Ottawa, the Canadian Medical Foundation, and La Magnétothèque (Vues et Voix), a Québec organization providing services to the visually impaired. Until December 2017, he was the Chair of the Board of Directors of the Laboratory Accreditation Program.

Jacques Lefebvre has a Bachelor's degree in Social Communications from the University of Ottawa/Saint Paul University and he has a Masters degree in Public Ethics from Saint Paul University. His executive development includes strategic planning (University of Pennsylvania - Wharton), marketing (Queen's University), and a certification from the Reputation Institute (New York).

BIOGRAPHIES

Jennifer Hayes, Commissioner, Canadian Dairy Commission

Jennifer Hayes is a dairy and beef farmer on Quebec's Gaspé Peninsula. She is the third generation to farm at Pine Crest Farms in Shigawake, which she co-owns with her father and uncle. Her farm is the most eastern dairy farm on the mainland in Quebec. Jennifer has extensive governance experience as an active member of the UPA (L'Union des Producteurs Agricoles). In addition to her position as a regional elected board member for Les Producteurs de lait de la Gaspésie Les Îles, Jennifer was regional vice president for the beef producers association, and an executive member of the provincial cull cattle and bob calf marketing committee.

Jennifer holds an MBA from Concordia University and has professional networks in the fields of agriculture and rural development.

Phil Vanderpol, Vitalus Nutrition Inc.

Phil Vanderpol grew up with Vanderpol's Eggs Ltd., a local BC company with over 65 years of history. Phil worked in many positions, even running a delivery/sales route throughout the Vancouver region during his summer breaks while at university.

Phil has been the President & CEO of Vitalus Nutrition since 1998 and has led the company through many changes. Phil was integral to developing the first Milk Protein Concentrate/Isolate plant in North America and recently commissioned the first commercially operating GOS plant in the Americas, positioning Vitalus Nutrition as a leader in specialized dairy ingredients.

Phil is Vice Chair of the Dairy Processors Association of Canada, Vice Chair of the Western Dairy Council in addition to holding various positions both officially and unofficially in the Canadian dairy industry. Phil received his International MBA from McGill University in early 2014 and qualified and completed the Quantum Shift™ program in early 2015. He is a past member of TEC Canada and current member of the MacKay CEO Forums.

Phil has given key presentations to audiences in Canada, sharing his knowledge and expertise on dairy market innovation.

Brooke McNeil, Dal' AC

Brooke McNeil is in her fourth year of an Animal Science honours degree with a minor in Plant Science at Dalhousie University's Faculty of Agriculture. Brooke is from Hantsport, NS and has been very involved in 4-H since age seven. Although always an animal lover, through 4-H she was introduced to livestock where she discovered her passion - animal agriculture. Brooke has held many agriculture related jobs, most recently last summer when she worked at Dal AC's Ruminant Animal Centre, where she continues to work part time. Brooke also began her honours project last summer, looking at parity effects on Holstein colostrum and the impact on calf health and growth.

BIOGRAPHIES

Bob Adams

Bob has served as independent Chair of our industry and the two board advisory committees for more than seventeen years. Since DFNS's inception in April 2001, the Board has benefitted from discussion and advice on two important advisory committees of our work – milk and transportation. Along the way, Bob chaired over one hundred ACM meetings/calls, along with over thirty transportation meetings! Some years were relatively light with three to four milk, and one to two, transportation meetings.

Bob's busiest year was 2016 with no fewer than twelve ACM meetings/calls! This was a tough year for all committee members, but Bob led us through with his guiding historical references and inclusive nature. When the going got tough, Bob reminded us all that "in 100 years none of this will matter." In the heat of debate, this helped diffuse tensions, and committee members on all sides of the table could refocus on what was best for our industry.

To simply say Bob chaired these meetings between DFNS Directors, processors, or transporters would not capture everything he brought to the table. Along with his huge binder filled with old minutes, meeting documents, and sticky notes, Bob brought his keen memory, rivaling both elephants and John Vissers! His recollection of past decisions, and the underlying discussion points, often framed future decisions, which served our industry stakeholders well.

Bob always welcomed guests, and preferred face-to-face meetings instead of conference calls. He ensured everyone's viewpoints were heard, and is a master at allowing discussions to continue, as long as we were moving forward. He knew when it was time to "put a ribbon on it."

While these positive attributes were on display at the meetings, Bob worked hard before and following meetings to ensure an efficient agenda was developed and minutes captured the decisions and main points.

Brian Cameron, DFNS's Secretary to all advisory committee meetings since joining DFNS in 2003, can attest to Bob's tenacity to be fully briefed on all sides of agenda items. He often volunteered to start the minutes which really took the pressure off Brian, for which he is eternally grateful.

Some people won't recognize Bob, because his work for DFNS has been very much behind the scenes. You may know him from his days with the Farm Loan Board, or his many years as a land agent. His steadfast service over so many years has helped DFNS grow and prosper from well-developed recommendations from our many industry partners.

For his hard work and dedication, our Board is pleased to award Bob an Honorary Member of DFNS.

NS MILK PROCESSORS' REPORT



Executive Office:
Suite 502, 5657 Spring Garden Road
Box 142
Halifax, NS B3J 3R4
Tel: 902-425-2445
Fax: 902-425-2441
Email: association@pathfinder-group.com

ADC: 10.1.15 C

2018 REPORT TO DAIRY FARMERS OF NOVA SCOTIA SUBMITTED BY: NOVA SCOTIA PROCESSORS DIVISION ATLANTIC DAIRY COUNCIL

The Nova Scotia Processors' Division of the Atlantic Dairy Council represents processing dairies licensed in Nova Scotia and includes Saputo Dairy Products Canada G.P., Agropur Cooperative, and Fox Hill Cheese House.

Nova Scotia Milk Packaging Stewardship Program

This program has done well in the past year, recycling over 67% of fluid milk packaging in Nova Scotia. The program is now entering its 19th year of operation. It was the first voluntary stewardship agreement in Nova Scotia and was established with significant support and cooperation of dairy farmers in Nova Scotia and began operation on February 1, 2000. Diversion rates vary from year to year based on the amount of packaging, and the amount waste management commissions have waiting to be sent to market. The diversion rate we are currently experiencing in the province is exceptionally high considering that the system is voluntary and does not depend on deposit returns for results.

Funding for the program goes directly to the seven waste management commissions in Nova Scotia based on the amount of fluid milk packaging recycled and sent to market by each commission.

Review of Solid Waste Packaging Regulations in Nova Scotia

In the last three years, we have reported that the Nova Scotia Processors Division of the Atlantic Dairy Council had been involved in the consultation process initiated by the Nova Scotia Department of the Environment regarding proposed changes to solid waste resource management regulations in Nova Scotia. Consultation continues. We continue to be hopeful that we can maintain the existing fluid milk packaging recycling program and, perhaps, find a way to add additional dairy packaging to that program. This, however, may not be possible. At present, our understanding is that the provincial government continues to favor the recycling system that operates in British Columbia which, we believe, is potentially more expensive than we currently now have for recycling fluid milk packaging in Nova Scotia.

School Milk Program

The School Milk Program in Nova Scotia is now under the guidance of the Nova Scotia School Milk Committee.

Natural Products Marketing Council

Council, from time to time, requires input from dairy processors and this input is discussed at processor meetings.

REPORT TO DAIRY FARMERS OF NOVA SCOTIA 2018

NOTES

BUSINESS MEETING AGENDA

1. Call to Order – 2:30 pm
2. Adoption of Agenda
3. Chairman’s Address
4. Approval of 17th Annual General Meeting Minutes (January 24-25, 2018)
5. Business Arising from the Minutes
6. Reports
 - (a) Board of Directors
 - (b) General Manager
 - (c) 2017-18 Audited Financial Statements
 - (d) 2018-19 Budget Projections
7. New Business
 - (a) Appointment of Auditors
 - (b) Motion to Destroy Election Ballots
8. Adjourn – 3:30 pm

NOTES

**17th Annual General Meeting
Dairy Farmers of Nova Scotia
Best Western Glengarry, Truro, NS
January 24-25, 2018**

January 24, 2018

1. Call to Order and Chair's Opening Remarks

DFNS Chairman Gerrit Damsteegt called the meeting to order at 9:37 am. He welcomed members, out-of-province producers, processors, government and agribusiness representatives, and other guests, acknowledged the sponsors, and invited everyone to participate during the meetings and discussions.

2. Roll Call

Roll call was conducted by having members sign in prior to entering the meeting room. A list of the 86 registered producers attending is attached to these Minutes.

3. Canadian Dairy Commission Report – Jennifer Hayes

DFNS director John Vissers announced that Jennifer Hayes, Commissioner, Canadian Dairy Commission, was unable to attend the meeting due to weather. Mr. Vissers introduced DFNS General Manager Brian Cameron, who delivered Ms. Hayes' presentation. "The Canadian Dairy Commission: Supporting a Growing Industry" encompassed our industry's national scope and evolution, with emphasis on relationships with industry partners and stakeholders. Topics included BF and total quota requirements, retail sales, milk production trends, butter stocks, P10 producer revenue, COP, and national pricing formula. Mr. Cameron addressed questions covering the anticipated TRQ fill rate for the 17,700 MT of CETA cheese access, COP calculations, current P5 over-issuance, and anticipated market growth for the remainder of the 2017/18 dairy year. Mr. Vissers thanked Mr. Cameron for presenting the CDC report.

4. Dairy Farmers of Canada Report - Pamela Harrod & Erwan Picard

John Vissers introduced Pamela Harrod, General Counsel and Corporate Secretary, DFC. Ms. Harrod delivered a presentation, "Together for a Healthy Future," which encompassed updates on policy and trade, government relations and communications, and proAction.

Mr. Vissers then introduced Erwan Picard, Director, Marketing, Partnerships, & Synergies, DFC. Mr. Picard focused on business stakeholder relations, research, and nutrition and marketing. He presented promotional videos representing several recent advertising campaigns, and recapped 2017 national retail sales volumes, and performance objectives relative to white milk, cheese, and chocolate milk. Ms. Harrod then encouraged members to sign up for "DairyExpress," and visit the on-site nutrition booth during the meetings.

Mr. Vissers thanked Ms. Harrod and Mr. Picard for their presentations.

5. Messages from Other Provinces

John Vissers welcomed out-of-province guests: Ron Maynard (DFPEI); Nick Duivenvoorden and Bob Woods (DFNB); Miriam Sweetnam (DFM); Bryan Denis and Gabriel Belzile (PLQ); and Murray Sherk (DFO), who each brought greetings from their respective provinces, thanking DFNS for the invitation. In particular, the P5 representatives expressed appreciation for DFNS's leadership efforts and overall commitment to our industry, and acknowledged John Vissers' strong contributions as he steps down from the Board.

Lunch

BUSINESS MEETING**B1. Call to Order**

Chairman Damsteegt called the business meeting to order at 1:38 pm. He explained the voting procedure and voting cards to members. Chairman Damsteegt appointed Nathalie Roy, Alana Croft, and Ashley Baskin as scrutineers during the voting portion of the meeting.

B2. Adoption of Agenda

Motion: A motion to approve the agenda, as presented, was moved by David Bekkers and seconded by John van de Riet.

Motion Carried.

B3. Chair's Address

Chairman Damsteegt began his address by introducing the 2018 DFNS Board of Directors, including Liz Crouse. Mr. Damsteegt focused on unprecedented growth in our industry, citing quota increases totaling twenty-two percent in the past three years. In reference to the motion made at last year's AGM directing DFNS to pursue an industrial milk allocation policy, he announced both the Minister of Agriculture and Natural Products Marketing Council approved milk being committed to Agropur's planned expansion in Sussex, NB. He thanked the membership for their support of this initiative during the December authorization letter campaign.

Mr. Damsteegt noted the Board is actively working together with all processors as full industry partners. He noted that, while the number of farms has decreased in the past year, expansion, growth, and new opportunities are still present. Dairy industry stakeholders are privileged to have our Supply Management system, but it comes with obligations, such as filling the market. He expressed disappointment in the January 23rd Comprehensive & Progressive Agreement for Trans-Pacific Partnership (CPTPP) announcement, which excluded increased dairy access.

Mr. Damsteegt stressed the importance of good stewardship of our industry. He thanked the board for their dedication; in particular, John Vissers, who is stepping down following the AGM. He commended Mr. Vissers on his wisdom,

fairness, and commitment to DFNS and our industry. He also expressed appreciation to DFNS staff for their hard work and dedication. He said it is a privilege to be a dairy farmer in Canada, and welcomed producers to continue their hard work and create opportunities for our next generation.

B4. Approval of Minutes of 16th Annual General Meeting – January 25-26, 2017

Motion: A motion to approve the minutes of the 16th Annual General Meeting, as circulated, was moved by Derick Canning and seconded by Elizabeth Biggs.

Motion Carried.

B5. Business Arising from the Minutes

Doug Bacon referenced page one of the minutes and requested confirmation whether or not quota belongs to the farm, and encouraged the board to discuss this. Chairman Damsteegt stated the board would take this under advisement.

Chairman Damsteegt introduced Vice Chair John Vissers, who thanked Mr. Damsteegt for his presentation.

B6. Reports

a. Board of Directors

John Vissers read the Board of Directors report. A number of questions were raised about the missing quality and component samples, along with delays in posting the results on MQM and MILKLINE. Staff responded to the questions and Mr. Vissers assured the membership their concerns are shared by the board and improvements are being pursued. Chairman Damsteegt thanked Mr. Vissers.

b. General Manager

Brian Cameron thanked DFNS staff and the board for their dedication to our industry. He invited participants to read his report, which was included in the AGM booklet. He then presented “*A Year in Review 2017*,” which covered significant events happening each month of the last year.

c. 2016-17 Audited Financial Statements

Nancy Frame, PricewaterhouseCoopers, reviewed DFNS’s 2016/17 audited financial statements. These statements were previously approved by the DFNS Board.

Ms. Frame noted it is a “clean report,” with no long-term debt, and clarified the “Notes to the Financial Statements” remain largely unchanged from previous years.

Motion: A motion accepting the auditor’s report was moved by John van de Riet and seconded by John Waalderbos.

Motion Carried.

d. 2017-18 Budget Projections

Esben Arnfast, DFNS’s Finance and Systems Administrator, presented the Treasurer’s Report, noting the budget, which the board conditionally

approved, will be voted on tomorrow during the policy discussions. Approving the budget is the responsibility of the board, but directors recognize the importance of input from, and endorsement of, the membership. Mr. Arnfast fielded a number of questions including: the size of the general surplus; IT capital costs and depreciation; and the factors influencing staff salary and benefit changes.

B7. New Business

a. Appointment of Auditors

Motion: A motion to reappoint PricewaterhouseCoopers as DFNS's auditors for the 2017-18 fiscal year was moved by Lauchie MacEachern and seconded by Brian Smit.
Motion Carried.

The Business Meeting adjourned at 3:23 pm.

Break

6. Policy Discussions & Stewardship Program Update

DFNS Director David Bekkers recognized those who sponsored this year's AGM. He then introduced John Sutherland, Atlantic Dairy Council, who presented, "NS Milk Packaging Stewardship Agreement," which emphasized the program's primary objective - to obtain a steady increase in recycled fluid milk packaging, and manage it cost effectively.

Mr. Bekkers thanked Mr. Sutherland for his presentation.

Mr. Bekkers introduced DFNS director Dustin Swinkels, who presented, "P5 Producer Survey - Fall 2017." The survey helped gain a better understanding of producers' intentions for expanding facilities and milk production, and identified that thirty-six percent of producers are ready to transition. Mr. Swinkels addressed questions from the membership on extra milk production capacity and farm attrition rate.

Mr. Bekkers thanked Mr. Swinkels for his presentation.

The meeting adjourned for the day at 5:07 pm.

Banquet and Presentations

A banquet was held at 6:30 pm. Chairman Damsteegt introduced Liz Crouse, General Manager, Natural Products Marketing Council. Ms. Crouse brought greetings on behalf of Minister of Agriculture Keith Colwell, who was unable to attend. She relayed that Minister Colwell acknowledges the dairy industry is an essential contributor to our provincial economy, and remains the top agriculture generator for Nova Scotia, especially in rural communities, and it is very important to our food security. Further, Minister Colwell extended his appreciation for DFNS's work to support the dairy industry and grow our economy.

Ashley Baskin and Nancy Douglas, Atlantic proAction Coordinators, then acknowledged this year's winning farms. Retiring director John Vissers was honoured, along with dual Honourary Membership Award recipients Bill Thomas and Jack van Roestel. Chairman Damsteegt recognized MLA guests Lenore Zann, representing Truro-Bible Hill-Millbrook-Salmon River, and John Lohr, representing Kings North.

JANUARY 25, 2018

The meeting reconvened at 8:39 am with DFNS board member Derick Canning as Chair.

7. Nova Scotia Federation of Agriculture

Derick Canning introduced Tim Marsh, first vice president, NSFA. Mr. Marsh referenced the NSFA's full report in the AGM booklet, highlighting scholarship endowment, training and courses, environmental stewardship, on farm energy needs, and the Environmental Farm Plan Program.

Derick Canning thanked Mr. Marsh for his presentation.

8. Nova Scotia Cattle Producers

Derick Canning introduced Brad McCallum who delivered a presentation that included a 2017 year in review, national activities summary, beef strategy summary, regulation update, the "Veal Code of Practice" affecting the 9-10,000/year male dairy calves in NS, and upcoming projects.

Derick Canning thanked Mr. McCallum for his presentation.

9. Canadian Forage & Grasslands Association

Derick Canning introduced Cedric MacLeod, president, MacLeod Agronomics, who delivered an operations and projects update for CFGA including the forage industry's scope, value, and environmental impact, and research, marketing, and export development.

Derick Canning thanked Mr. MacLeod for his presentation.

10. Atlantic Grains Council

Derick Canning introduced Alan Miller, consulting strategist, Atlantic Grains Council, who presented, "Building Research Partnerships for Atlantic Agriculture," highlighting dairy priorities, and regional and national partnerships. He encouraged DFNS to actively consider a regional research investment partnership and to lobby the provincial government to financially support varietal plots across the province.

Derick Canning thanked Mr. Miller for his presentation.

11. proAction Update

Derick Canning introduced Atlantic proAction Coordinators Ashley Baskin and Nancy Douglas, who presented an update of the program's vision, timelines, module integration, producer requirements, and compliance measures. Biosecurity and Environment training sessions will begin this year. Environmental Farm Plan was also highlighted. In response to a question, it was noted that Holstein Canada is asking provinces and DFC to re-sign them as sole delivery agents of Animal Care Assessments.

Derick Canning thanked Ms. Baskin and Ms. Douglas for their presentation.

Break

BUSINESS MEETING – Reconvenes for Voting on Budget

B8. Reports – Continued

d. 2017-18 Budget Projections – Continued

DFNS director Dustin Swinkels asked Esben Arnfast to address questions on the 2017-18 budget from the membership.

The following motions were made:

Motion: A motion approving a review of director honorariums, with appropriate adjustments made to the 2018/19 budget, was moved by Tony Versteeg and seconded by Harry van der Linden

Motion Carried.

Motion: A motion endorsing the board's conditional approval of the 2017-18 DFNS budget, as circulated, was moved by John Vissers and seconded by Hans Vermeulen.

Motion Carried.

12. Policy Discussions

Dustin Swinkels introduced Brian Cameron, who presented a slide deck relative to milk production, quota, and milk quality. Mr. Cameron addressed questions from the membership on Additional Production Days, P5 partner comparisons of over quota and unrecoverable credits, leasing utilization, debt loads, and future quota increases.

Dustin Swinkels recognized those who sponsored this year's AGM, and thanked industry guests for joining our meeting.

Lunch

13. Closed Session

DFNS director Byron Lamb introduced Dr. Frank Schenkels, who spoke on antimicrobial resistance and guidelines for strategies to reduce antibiotic use. He stressed this is a worldwide, federally regulate issue, with a December 1, 2018, implementation date. In response to a question, DFNS committed to inform their membership, in cooperation with provincial veterinarians. Mr. Lamb thanked Dr. Schenkels for his update.

Mr. Lamb introduced Dr. Greg Keefe, Professor and Dean, AVC, who provided an update on dairy research, highlighting bovine leucosis testing. Mr. Lamb thanked Dr. Keefe for his update.

Mr. Lamb introduced Bryan Wattie, Sales and Technical Engineering Lead, SomaDetect. Mr. Wattie explained their focus - piloting an inline sensor for somatic cell and fat content determinations from raw bovine milk. Mr. Lamb thanked Mr. Wattie for his presentation.

All AGM guests left the meeting and the producer-only Closed Session began.

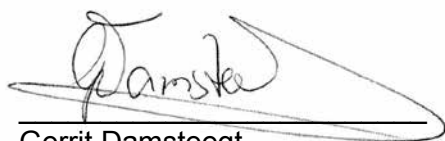
Byron Lamb addressed the Membership and reviewed the rules of engagement for the closed session.

Chairman Damsteegt, Byron Lamb, and Brian Cameron addressed questions from members relative to CPTPP, milk supply management, calculating over quota and unrecoverable credits, leasing policy, Additional Production Days, status of the New Entrant Program, and the DFNS budget.

14. Wrap Up and Adjournment

Chairman Damsteegt concluded the meeting by thanking members and out of province guests for their attendance and participation throughout the meeting, and positive remarks going into the future. He stated the closed session is a good opportunity to receive direct input from members and to develop solutions for issues in our industry. He assured the Membership that good communications between the board and producers will continue, and feedback is always encouraged and welcomed.

The meeting adjourned at 3:22 pm.



Gerrit Damsteegt
Chair



Brian J. Cameron
General Manager

17th Annual General Meeting – Registered Producers in Attendance

Afton Hills Farm Ltd.	James & Colin Kent
Andrew and Susie Dueck	James H. Lamb Farms Limited
Antrim Farms Limited	John J. van de Riet
Archibald Dairy Inc.	John van den Hof
Aron & Alma Penner	Jubilee Lane Dairy Farm Limited
Bacon Farms Limited	Karran Farms Limited
Ballam Farms Limited	Lake Mabou Farms Limited
Bay Bend Farms Limited	Langelaan Farms Incorporated
Beech Hill Farm Limited	Levi D., Marvin and Lena Friesen
Bekkers Farms Incorporated	Lindenoord Farm
Ben J. Harbers & Sons Farm Ltd.	Luchtenberg Farm Inc.
Bethesda Holsteins	MacGregor Dairy Farm Limited
Bidalosy Farms Limited	Matthews Farms Limited
Biggs Farms Ltd.	Menkhorst Farm Limited
Black Avon Farms Limited	Michael & Tammy Carree
Bokma Farms Ltd.	Musquie Valley Farms Limited
Boundary Lane Farms Ltd.	Northumberland Dairy Farm
Broad Cove Farm Limited	Overview Farms Limited
Browntown Farms Limited	Patterson Farms Ltd.
Bruce D. Leck	Pine Haven Farm Limited
Canning Farm Limited	Pineriver Farms Ltd.
Caper Farms	Robert Sutherland
Carree Valley Farms Inc.	Roddie J. Kennedy
Casey McLellan	Roguniel Farm Limited
Charles Hill & Son Limited	Scothorn Back Forty Farms Ltd.
Churchill Bros. Farm Limited	Scothorn Farms Ltd.
Clover Crest Farm Limited	Smit Farms
Cornelius Penner	Springbrook Farms Ltd.
Dabro Farms Inc.	Sunny Point Farms Limited
Dale P. Henderson	Trevor Forbes
Dalhousie University	Trivee Farms Limited
Dean & Sandy Cole	Tulip Farm
Donald and Karen MacDonald	Valleyside Holsteins Ltd.
Dykheuvel Farm	Vermeuland Farms Limited
Ferguson Brothers	Viking Crest Farm Limited
Fireblade Holsteins Limited	Vriesland Farm Limited
Folly River Farms Limited	W.J. Anderson & Sons
Fort Lands Farm Limited	Winding River Farms Limited
Frank P. Dueck	Windy Lane Farms Ltd.
Gary S. Benison	Wynt Farm Ltd
Green Oaks Dairy Farm Limited	
Harry & Joanne Van der Linden	
Havey M. Whidden	
Hillpeak Farms Limited	
Hilltop Dairy & Poultry Farm	
J&L Oostvogals	

November 23, 2018

Independent Auditor's Report

To the Members of Dairy Farmers of Nova Scotia

We have audited the accompanying financial statements of Dairy Farmers of Nova Scotia, which comprise the statement of financial position as at July 31, 2018 and the statements of receipts and expenditures, changes in net assets and cash flows for the year then ended and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Dairy Farmers of Nova Scotia as at July 31, 2018 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

PricewaterhouseCoopers LLP
Cogswell Tower, 2000 Barrington Street, Suite 1101, Halifax, Nova Scotia, Canada B3J 3K1
T: +1 902 491 7400, F: +1 902 422 1166

"PricewaterhouseCoopers" refers to PricewaterhouseCoopers LLP, an Ontario limited liability

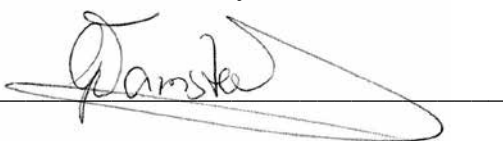
Dairy Farmers of Nova Scotia

Statement of Financial Position

As at July 31, 2018

	2018 \$	2017 \$
Assets		
Current assets		
Cash		
Internally restricted	3,465,743	3,389,003
Accounts receivable (note 3)		
Unrestricted	24,116,420	23,750,882
Internally restricted	246,540	137,780
Prepaid expenses	34,576	21,472
Inventory (note 4)	9,635	—
	<u>27,872,914</u>	<u>27,299,137</u>
Property and equipment (note 5)	284,840	322,327
Intangible asset (note 6)	—	387,310
	<u>28,157,754</u>	<u>28,008,774</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 7)	18,939,914	19,174,322
Operating line of credit (note 8)	4,341,000	3,887,000
	<u>23,280,914</u>	<u>23,061,322</u>
Deferred revenue (note 9)	40,184	56,506
	<u>23,321,098</u>	<u>23,117,828</u>
Net assets		
Investment in property and equipment and intangible assets		
Unrestricted	284,840	659,406
	<u>839,533</u>	<u>704,758</u>
	<u>1,124,373</u>	<u>1,364,164</u>
Internally restricted		
Bad debt reserve (note 10)	3,293,491	3,086,190
Milk pricing	254,403	198,246
Quota exchange	—	83,812
Projects (note 11)	164,389	158,534
	<u>3,712,283</u>	<u>3,526,782</u>
	<u>4,836,656</u>	<u>4,890,946</u>
	<u>28,157,754</u>	<u>28,008,774</u>
Commitments and contingencies (note 14)		

Signed on behalf of Dairy Farmers of Nova Scotia



The accompanying notes are an integral part of these financial statements.

Dairy Farmers of Nova Scotia

Statement of Receipts and Expenditures

For the year ended July 31, 2018

	(Unaudited) Budget 2018 \$	General \$	Bad debt reserve \$	Milk pricing \$	Quota exchange \$	Projects \$	2018 \$	2017 \$ (note 16)
Receipts								
Milk sales	—	—	165,240	166,312,020	—	—	166,477,260	155,688,257
Interprovincial milk haulage	—	—	—	4,184,590	—	—	4,184,590	3,109,983
Provincial milk haulage	—	—	—	5,636,801	—	—	5,636,801	5,160,470
Milk skimming pooling revenue	—	—	—	128,425	—	—	128,425	143,509
School milk program fees	—	—	—	65,835	—	—	65,835	80,913
Milk testing revenue	—	—	—	298,559	—	—	298,559	129,051
Interprovincial pooling	—	—	—	277,864	—	—	277,864	8,316,560
Quota sales	—	—	—	—	23,013,840	—	23,013,840	18,769,440
Quota transaction fees	15,000	15,807	—	—	—	—	15,807	28,525
Milk producer dues	1,354,294	1,356,795	—	—	—	—	1,356,795	1,283,355
Cost of production study	16,874	17,161	—	—	—	—	17,161	16,940
Canadian Quality Milk program	25,000	—	—	—	—	—	—	23,675
Proaction validations	—	21,325	—	—	—	—	21,325	—
Milk quality and proaction penalties	—	129,033	—	—	—	—	129,033	27,637
Project revenue (note 11)	—	—	—	—	—	19,428	19,428	—
Interest	1,000	1,427	42,061	—	57	—	43,545	31,076
CDC surplus	—	—	—	254,262	—	—	254,262	198,104
Grants and cost recoveries	15,000	33,414	—	—	—	—	33,414	25,032
Other income	6,000	7,271	—	—	—	—	7,271	6,443
	1,433,168	1,582,233	207,301	177,158,356	23,013,897	19,428	201,981,215	193,038,970
Expenditures								
Milk purchases	—	—	—	166,492,428	—	—	166,492,428	163,837,672
Milk sales costs	—	—	—	97,457	—	—	97,457	—
Provincial milk haulage	—	—	—	5,636,801	—	—	5,636,801	5,160,470
Interprovincial milk haulage	—	—	—	4,184,590	—	—	4,184,590	3,109,982
Milk haulage for skimming	—	—	—	46,021	—	—	46,021	40,775
Skim milk disposal costs	—	—	—	6,100	—	—	6,100	2,300
Milk skimming fees	—	—	—	76,304	—	—	76,304	100,434
School milk program contributions	—	—	—	65,835	—	—	65,835	80,896
Milk testing costs	—	—	—	298,559	—	—	298,559	129,414
Quota purchases	—	—	—	—	23,013,840	—	23,013,840	18,767,040
Canadian Quality Milk program	—	—	—	—	—	—	—	35,919
Project cost (note 11)	—	—	—	—	—	13,573	13,573	36,866
CDC surplus	—	—	—	198,104	—	—	198,104	137,872
Insurance	—	—	—	—	—	—	—	66,720
Meeting expenses (Schedule 1)	259,500	234,408	—	—	—	—	234,408	227,441
Operating expenses (Schedule 1)	855,684	889,630	—	—	21,182	—	910,812	848,459
Other expenses (Schedule 1)	248,118	260,813	—	—	—	—	260,813	184,123
	1,363,302	1,384,851	—	177,102,199	23,035,022	13,573	201,535,645	192,766,383
Excess of receipts over expenditures (expenditures over receipts) before write-down of intangible asset	69,866	197,382	207,301	56,157	(21,125)	5,855	445,570	272,587
Write-down of intangible asset (note 6)	—	(499,860)	—	—	—	—	(499,860)	—
Excess of receipts over expenditures (expenditures over receipts) for the year	69,866	(302,478)	207,301	56,157	(21,125)	5,855	(54,290)	272,587

The accompanying notes are an integral part of these financial statements.

Dairy Farmers of Nova Scotia

Statement of Changes in Net Assets

For the year ended July 31, 2018

	General \$	Bad debt reserve \$	Milk pricing \$	Quota exchange \$	Projects \$	2018 \$	2017 \$
Net assets – Beginning of year	1,364,164	3,086,190	198,246	83,812	158,534	4,890,946	4,618,359
Excess of receipts over expenditures (expenditures over receipts) for the year	(302,478)	207,301	56,157	(21,125)	5,855	(54,290)	272,587
Internally restricted transfer	62,687	–	–	(62,687)	–	–	–
	(239,791)	207,301	56,157	(83,812)	5,855	(54,290)	272,587
Net assets – End of year	1,124,373	3,293,491	254,403	–	164,389	4,836,656	4,890,946

The accompanying notes are an integral part of these financial statements.

Dairy Farmers of Nova Scotia

Statement of Cash Flows

For the year ended July 31, 2018

	2018 \$	2017 \$
Cash provided by (used in)		
Operating activities		
Excess of receipts over expenditures (expenditures over receipts) for the year	(54,290)	272,587
Amortization of property and equipment	56,775	60,985
Write-down of intangible asset	499,860	—
	502,345	333,572
Net change in non-cash working capital items related to operations		
Increase in accounts receivable	(474,298)	(4,218,145)
Increase in prepaid expenses	(13,104)	(9,333)
Decrease (increase) in inventory	(9,635)	15,413
Increase (decrease) in accounts payable and accrued liabilities	(234,408)	1,667,535
	(229,100)	(2,210,958)
Investing activities		
Additions to property and equipment	(19,288)	(50,544)
Additions to intangible asset	(112,550)	(81,042)
	(131,838)	(131,586)
Financing activities		
Increase in operating line of credit	454,000	2,092,000
Decrease in deferred revenue	(16,322)	(18,032)
	437,678	2,073,968
Net change in cash and deposits during the year	76,740	(268,576)
Cash – Beginning of year	3,389,003	3,657,579
Cash – End of year	3,465,743	3,389,003

The accompanying notes are an integral part of these financial statements.

Dairy Farmers of Nova Scotia

Notes to Financial Statements

For the year ended July 31, 2018

1 Governing statutes and nature of activities

Dairy Farmers of Nova Scotia (“DFNS”), a corporate body, commenced its operations pursuant to Section 5 of the Dairy Industry Act, Bill No. 64, of the Province of Nova Scotia, dated November 27, 2000.

DFNS provides a regulatory and administrative service on behalf of the dairy industry of Nova Scotia including the operation of the quota exchange. The responsibility includes the purchase of milk from producers and the sale of milk to the processors who have been designated as payment agents for DFNS. DFNS strives to ensure that efficient producers receive a fair return for their product and consumers have a continuous supply of quality dairy products at reasonable prices. DFNS represents the interests of milk producers in the province of Nova Scotia through research, promotion, and communications to government and the public.

The activities of DFNS include the following:

Milk pricing

DFNS has legislative authority to purchase milk from Nova Scotia milk producers and sell milk to processors for processing into milk products. The milk products are paid for by processors at the legislated prices according to reported utilization in various classes and recorded as revenue for DFNS. Payments to producers for raw milk received are made by processor, acting as payment agent for DFNS, and recorded as milk purchases by DFNS.

DFNS, along with other provincial signatories, have entered into an arrangement with other provinces to equalize the milk prices paid to producers throughout the participating provinces. To provide for the equalization function, an amount is calculated and billed to (receivable from) the Canadian Dairy Commission each month. The monthly equalization bill (receivable) from the Canadian Dairy Commission is in turn, billed (paid) by DFNS to milk producers in the province. Any adjustments required resulting from the equalization calculation will be accounted for in the same period billed by the Canadian Dairy Commission and will be billed to the provincial milk producers in that same period. Milk haulage costs are also equalized. Milk haulage revenue represents amounts received by DFNS from equalization while milk haulage expense represents reduction in the transportation rates paid by producers.

Quota exchange

The Dairy Industry Act and Regulations provide the authority and mechanism for the operation of a quota exchange by DFNS. The quota system is a means whereby DFNS regulates the supply of milk by producers to processors. The quota exchange is a mechanism to allow individual producers the flexibility to increase or decrease their individual share of the provincial market. Producers’ offers to buy/sell quota (market share) are received by DFNS and are accepted/rejected on the monthly quota exchange in accordance with DFNS regulations and policy.

Dairy Farmers of Nova Scotia

Notes to Financial Statements

For the year ended July 31, 2018

1 Governing statutes and nature of activities (continued)

Projects

DFNS is responsible for funds restricted by the board for the cost of projects, including the quality milk program, research, image of dairy program, new initiatives and dairy focus. Net costs of the projects are recorded as expenditures in the year incurred.

General

All other DFNS revenues and expenditures are considered to be part of its general operations, with any resulting surplus or deficit forming the accumulated balance.

DFNS is a non-profit organization as defined in Section 149(1)(l) of the Income Tax Act and therefore is not subject to income taxes.

2 Summary of significant accounting policies

Basis of presentation

These financial statements are prepared in accordance with the Canadian accounting standards for not-for-profit organizations ("ASNPO") as issued by the Canadian Accounting Standards Board.

Revenue recognition

Milk sales are recognized in the period the milk has been utilized. Quota exchange receipts are recognized as revenue in the period the quota is sold. All other sources of receipts are recognized as revenue in the period in which they are earned.

DFNS follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

2 Summary of significant accounting policies (continued)

Property and equipment

Amortization of property and equipment is calculated on the diminishing balance method using an annual rate of 20%, except for Production and Quota Software (PAQS), which is calculated using an annual rate of 10%. Acquisitions made during the year are amortized at one-half the stated annual rate provided they are in use at the end of the fiscal year. Property and equipment is reviewed for impairment indicators annually, with impairment recorded through the statement of receipts and expenditures.

Intangible asset

Intangible asset, which represents the cost of software development, is recorded at cost and amortized over the expected useful life upon completion. The intangible asset is reviewed for impairment indicators annually, with impairment recorded through the statement of receipts and expenditures.

Management estimates

The presentation of financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of receipts and expenditures during the reported period. Actual results could differ from those reported.

Inventory

Inventory is recorded at the lower of cost and net realizable value.

Financial instruments

DFNS initially records its financial instruments at fair value. Subsequently, these financial instruments are measured at amortized cost, net of transaction costs, using the effective interest method.

Fair market value

DFNS has evaluated the fair value of its financial instruments based on the current interest rate environment, market values and the actual prices of financial instruments with similar terms. The carrying value of financial instruments is considered to approximate fair value. Financial instruments consist of accounts receivable, accounts payable and accrued liabilities and the operating line of credit

Dairy Farmers of Nova Scotia

Notes to Financial Statements

For the year ended July 31, 2018

3 Accounts receivable

	2018 \$	2017 \$
Milk sales	12,427,319	12,846,978
Dairy processors – price equalization	1,359,830	1,308,589
Dairy producers – price equalization	2,042,515	1,984,512
Canadian Dairy Commission – price equalization	7,971,676	7,263,930
CDC surplus	254,262	198,104
DFC promotion fees	281,193	235,311
Other receivables and accruals	26,165	51,238
	<u>24,362,960</u>	<u>23,888,662</u>
Consist of:		
Unrestricted	24,116,420	23,750,882
Internally restricted	246,540	137,780
	<u>24,362,960</u>	<u>23,888,662</u>

4 Inventory

	2018 \$	2017 \$
Supplies	<u>9,635</u>	<u>—</u>

5 Property and equipment

	2018		2017	
	Cost \$	Accumulated depreciation \$	Net \$	Net \$
Office equipment and computers	85,572	60,105	25,467	24,001
Furniture	4,750	3,555	1,195	346
PAQS (software)	274,394	192,986	81,408	90,454
Handheld equipment (note 9)	200,860	77,238	123,622	151,439
IT hardware	85,089	31,941	53,148	56,087
	<u>650,665</u>	<u>365,825</u>	<u>284,840</u>	<u>322,327</u>

Dairy Farmers of Nova Scotia

Notes to Financial Statements

For the year ended July 31, 2018

6 Intangible asset

The intangible asset represents the cost of development of the new milk marketing system ("MMS") software. During the year, DFNS withdrew from the MMS software development project. Given it is unlikely that DFNS will benefit from the MMS software at this time and that it is undetermined if DFNS will rejoin the MMS development project, the costs incurred to date have been written off during the year. DFNS has contracted with PLQ on a Joint Software Development Project involving Quebec, NS and NB Boards and costs during the 2018-2019 dairy year will be accumulated as an intangible asset and the costs will be written off as the program begins to be used.

7 Accounts payable and accrued liabilities

	2018 \$	2017 \$
Milk purchases	12,681,581	12,846,978
Dairy processors – price equalization	3,754,875	3,968,039
Trade payables and accruals	1,193,396	493,536
Producers		
Quota exchange	794,873	1,195,195
Dairy Farmers of Canada	515,189	266,900
Refundable Dairy Farmers of Canada promotion fees	–	204,618
CDC – milk purchased from pool	–	199,056
	<u>18,939,914</u>	<u>19,174,322</u>

8 Operating line of credit

The Bank of Nova Scotia operating line of credit with a \$6,500,000 (2017 - \$6,500,000) limit bears interest at the bank prime lending rate minus 0.5% per annum with a balance of \$4,341,000 at July 31, 2018 (2017 - \$3,887,000). This operating line is secured by a general security agreement over deposit accounts and trade receivables.

9 Deferred revenue

In 2016, DFNS received a grant of \$11,750 from Dairy Farmers of Canada and, as in previous years, and as decided by DFNS, the amount was to be used to fund promotion related to a skim milk powder donation. \$5,475 was incurred during the year ended July 31, 2017 and the remaining \$6,275 was incurred in the current fiscal year.

In 2015, DFNS received a grant of \$69,765 from the Province of Nova Scotia to assist in funding the purchase of handheld equipment. This grant will be amortized into income at the same rate in which amortization expense is charged against the handheld equipment commencing once the handheld equipment is put into use. The total amount amortized into income at year end is \$10,047 (2017 - \$12,558).

Dairy Farmers of Nova Scotia

Notes to Financial Statements

For the year ended July 31, 2018

10 Bad debt reserve

As of February 1, 2003, DFNS is collecting an additional \$0.32/hl on white milk sales. This amount will be set aside in a bad debt reserve to be administered by DFNS. The purpose of the bad debt reserve will be to minimize any negative financial impact resulting from the possible failure by a processor to pay for raw milk by accumulating in the reserve a full month's milk value for the largest payment agent/producer supplied by DFNS. Included in the increase in the bad debt reserve is \$42,061 (2017 - \$18,327) of interest earned on these funds. An insurance policy was purchased to further mitigate the risk of a processor default and the cost of this insurance is an expense of the bad debt reserve.

11 Projects

Project cost activity during the year consists of:

	Dairy Focus \$	Research \$	Milk Maritime Refund \$	Total 2018 \$
Balance – Beginning of year	22,629	5,563	130,342	158,534
Receipts	19,428	–	–	19,428
Expenditures	(8,010)	(5,563)	–	(13,573)
Balance – End of year	34,047	–	130,342	164,389

12 Dues collected

DFNS is responsible for collecting and remitting marketing and promotion fees for Dairy Farmers of Canada. The amount collected from the producers and remitted to Dairy Farmers of Canada totalled \$3,347,042 (2017 - \$3,165,877).

13 Government remittances

Government remittances consist of amounts required to be paid to government authorities and are recognized when amounts become due. In respect of government remittances, \$20,348 (2017 - \$12,856) relate to payroll taxes and are included within accounts payable and accrued liabilities.

14 Commitments and contingencies

During the year ended July 31, 2017, DFNS renewed its office lease agreement for a two year period ending February 28, 2019. Minimum annual lease payments are \$24,224, inclusive of HST.

DFNS has entered into agreements to complete Steps 1A – IT Infrastructure, 2A – assessment of data suitability and business requirements and 2B – MMS Statement of Work for a common application of the P8 IT aggregation proposal. Expenses incurred in 2018 were \$112,550 (2017 - \$81,041). There is no remaining commitment as DFNS has pulled out of this project.

15 Financial instruments and risk management

Senior management of DFNS is responsible for setting acceptable levels of risk and reviewing risk management activities as necessary.

a) Concentration of credit risk

Management believes that DFNS has no significant credit risk due to mitigating factors described in note 10. A significant portion of DFNS's accounts receivable represents amounts due from the provincial milk processors. No provision for uncollectible accounts has been made as none was considered necessary at year end.

b) Interest rate risk

DFNS has exposure to interest rate risk related to its operating line as described in note 8.

c) Liquidity and cash flow risk

Management believes DFNS has no significant risk from liquidity or cash flow due to DFNS having significant cash in hand and the reasonable expectation of receiving sufficient revenue to enable DFNS to meet its core needs for the next year.

16 Comparative figures

A policy change in November 2017 resulted in DFNS taking over within province transporter payment from the board payment agent. It was noted that, for the year ended July 31, 2017, provincial milk haulage receipts and expenditures had been netted on the statement of receipts and expenditures while they should have been recorded on a gross basis. The presentation was adjusted in the current year.

Dairy Farmers of Nova Scotia

Statement of Operating, Meeting and Other Expenses

For the year ended July 31, 2018

Schedule 1

	(Unaudited) Budget 2018 \$	Actual 2018 \$	Actual 2017 \$
Meeting expenses			
Advisory committee on milk	2,500	1,938	1,502
Annual meeting	27,000	31,563	25,679
Directors, executive and committee	145,000	123,351	141,869
Honorariums	34,000	33,500	33,500
Milk committees	8,000	7,726	1,111
Regional and zone meetings	43,000	36,330	23,780
	259,500	234,408	227,441
Operating expenses			
Amortization – general fund	56,184	35,593	37,546
Bank charges	1,000	4,177	1,031
Computer expenses	72,000	66,119	72,721
Consultant fees	59,000	85,521	57,273
Insurance	6,500	6,044	6,076
Office supplies	6,000	7,332	5,857
Postage/courier	15,000	12,308	13,488
Printing	7,000	9,049	6,814
Professional fees	55,000	55,284	76,139
Rent	28,000	29,398	28,365
Salaries and benefits	482,000	507,615	455,663
Scholarships/donations	24,000	19,343	23,905
Telephone	8,000	8,247	7,456
Travel	36,000	43,600	32,686
	855,684	889,630	825,020
Amortization – quota fund	–	21,182	23,439
	855,684	910,812	848,459
Other expenses			
Communications	13,000	8,698	6,982
Cost of production study	15,000	15,450	15,000
Dairy Farmers of Canada dues	79,368	74,434	77,060
Research	10,000	11,730	–
Fresh sampling	–	–	1,500
Handhelds	30,000	49,037	23,503
Miscellaneous	750	439	314
Proaction	70,000	76,072	31,657
Staff/board development	5,000	4,462	3,990
Milk transportation supplies	25,000	20,491	24,117
	248,118	260,813	184,123

Draft 2018-2019 Budget Notes

The draft budget shows the budget and actual for the previous fiscal year along with budgeted amounts for the 2018-2019 dairy year. Membership dues are 16 cents/kg BF as implemented August 1, 2014. Additional comments on items for the 2018-2019 Budget:

- Milk Producer Dues are based on filling 99.5% of the August 1, 2018, Nova Scotia provincial quota allocation. The budget is based on the quota allocated to producers August 1.
- Grants and Cost Recoveries have been budgeted for known regular items such as AGM sponsorships and funds from DFC used for a skim milk powder donation.
- Interest Revenue will be minimal with a decision to limit the calculation of the interest deduction from the in-quota milk price to the line of credit borrowing costs.
- The new revenue account, Milk Quality and proAction Penalties, was added in 2018, with \$129,033 deducted from producer milk payments. An amount of 1/2 has been budgeted for the 2019 dairy year, with the amount of revenue unknown and considered to help offset the required spending to support the proAction program, which does not have a fixed producer check-off.
- proAction Validation Revenue reflects the \$250 per farm fee with 120 farms planned to have validations completed and charged directly during the dairy year. On the expense side, proAction Validation Expense provides for the estimated validation costs, and the proAction Coordinators Expense includes the NS shares of their salaries, travel, and meetings.
- Meeting Expenses are budgeted with one policy meeting; however, the timing near year end resulted in none during 2017-18. Meeting expense accounts include a 10% increase in honorariums and per diems after review and recommendation this fall by an independent committee. Honorariums were previously adjusted in 2013 and per diems in 2006.
- Depreciation Costs reflect amortization of investment in equipment, mostly handhelds and IT infrastructure, along with the legacy software program.
- Computer Network Expense includes access to shared IT resources and associated managed services. The expense also contains monthly local environment costs such as the internet connection fee and services for the management of the network and staff desktops.
- Staff Salaries includes new positions for the Asst. General Manager and Finance Administrator.
- Handhelds Expense includes the costs of monthly software maintenance along with licenses and monthly connection costs, replacement batteries, and charging units. During 2017-2018, several improvements were made to the handheld software program.
- Research costs have been increased to \$40,000 for a joint Atlantic research investment.
- The Surplus balance of \$839,533 shown excludes the investment in Net Assets as of July 31, 2018, and is projected to decrease to \$746,628 with the budgeted 2019 deficit of \$92,905.

DAIRY FARMERS OF NOVA SCOTIA, DRAFT BUDGET PROJECTIONS
DAIRY YEAR ENDING JULY 31, 2019

	Budget 2017/18	ACTUAL 2017/18	% OF BUDGET	Budget 2018/19
REVENUE				
Milk Producer Dues	\$1,354,294	\$1,356,794	100%	\$1,290,521
National COP Income	16,874	17,161	102%	17,662
Grants and Cost Recoveries	15,000	33,414	223%	15,000
Interest Revenue	1,000	1,427	143%	1,000
Quota Transaction Fees	15,000	15,807	105%	15,000
Milk Quality/ProAction Penalties		129,033		65,000
ProAction validations	25,000	21,325	85%	30,000
NSCP Fees	1,000	2,067	207%	2,000
Miscellaneous	5,000	5,204	104%	5,000
TOTAL REVENUE	\$1,433,168	\$1,582,233	110%	\$1,441,183
EXPENSES				
<u>Meeting Expenses</u>				
Annual Meeting (Lodging, Meals, Room rental)	27,000	31,563	117%	32,000
Other Meeting Expenses (AGM, Policy, Reg., BOD)	43,000	36,330	84%	43,000
Directors (Travel, Meals, Per diems, Registrations)	145,000	123,351	85%	151,000 *
Honorariums	34,000	33,500	99%	37,500 *
Milk Committees (Per diems, Mileage)	8,000	7,726	97%	8,500 *
Advisory Committee (Chair, meals, meeting rooms)	2,500	1,938	78%	2,500
Total Meeting Expenses	259,500	234,408	90%	274,500
* Adjusted for BOD Compensation review, pending AGM approval				
<u>Operating Expenses</u>				
Accounting/Audit	15,000	18,463	123%	15,000
Scholarship/Donations	24,000	19,343	81%	24,000
Depreciation	56,184	35,593	63%	56,000
Rent	28,000	29,398	105%	30,000
Board/Office Insurance	6,500	6,044	93%	6,500
Bank/Operating Line Expense	1,000	4,176	418%	5,000
Software Support	24,000	14,307	60%	20,000
Telephone	8,000	8,247	103%	8,000
Computer Network	48,000	51,812	108%	50,000
Legal Fees	40,000	36,821	92%	40,000
Postage & Courier	15,000	12,308	82%	13,000
Printing	7,000	9,049	129%	8,000
Office Supplies	6,000	7,332	122%	6,000
Consultants / Casual	59,000	85,521	145%	60,000
Staff Salaries & Benefits	482,000	507,615	105%	565,000
Staff Travel	36,000	43,600	121%	44,000
Total Operating Expenses	855,684	889,630	104%	950,500
<u>Other Expenses</u>				
DFC Dues	79,368	74,434	94%	79,000
Staff/Board Development	5,000	4,462	89%	5,000
Producer Communications	13,000	8,698	67%	10,000
Milk Transportation supplies, misc	25,000	20,491	82%	25,000
Handhelds	30,000	49,037	163%	40,000
National COP	15,000	15,450	103%	15,500
ProAction Validations	30,000	33,956	113%	41,000
ProAction Coordinators	40,000	42,116	105%	52,838
Research	10,000	11,730	117%	40,000
Miscellaneous	750	438	58%	750
Total Other Expenses	248,118	260,813	105%	309,088
TOTAL EXPENSES	1,363,302	1,384,851	102%	1,534,088
NET INCOME (Loss)	\$69,866	\$197,382		(\$92,905)
Surplus Balance July 31, 2018 and Projected 2019		\$839,533		\$746,628



2017-18 DFNS Excellence Award Winners

ANNAPOLIS

A & J Bent Farms Ltd.
K & J Farms Limited
Lone Willow Farm Incorporated

ANTIGONISH

Harry & Joanne Van der Linden

COLCHESTER

Amber Hill Farm
Fort Lands Farm Limited—**Five Years**

CUMBERLAND

Bacon Farms Limited

HANTS

Sunny Point Farms Limited

KINGS

James H. Lamb Farms Limited—**Ten Years**
Mark & Randy Keddy
Windcrest Farm Limited

In order to receive the DFNS Excellence Award, a producer must have:

- *all individual bacteria count (IBC) results less than 30,000/ml for the dairy year;*
- *all monthly SCC averages are less than or equal to 150,000/ml;*
- *a farm inspection score from the NSDA of 94 or higher;*
- *an appearance score on the farm inspection report of five or higher;*
- *no freezing point or antibiotic infractions during the dairy year; and*
- *maintain CQM /proAction registration for the entire dairy year.*

2019 BOARD DIRECTORY

The 2019 Board of Directors will take effect on January 17, 2019, and will be comprised of the members listed below. Officers will be elected at a board meeting held immediately following the AGM.

Greg Archibald

19 Higginsville Road
Middle Musquodoboit NS B0N 1X0
cell: 902-890-2938
home: 902-384-2439
fax: 902-384-2439
email: lgarchibald@live.ca

David Bekkers

583 Route 337
Antigonish NS B2G 2L2
cell: 902-870-9002
home: 902-863-6403
fax: 902-863-2012
email: davidbekkers@gmail.com

Gerrit Damsteegt

919 North Salem Road
Shubenacadie NS B0N 2H0
cell: 902-758-5857
home: 902-758-3550
fax: 902-758-3550
email: g.damsteegt@eastlink.ca

Byron Lamb

4385 Brooklyn Street
Berwick NS B0P 1E0
cell: 902-670-1879
home: 902-538-8922
fax: 902-538-1782
email: byronalexanderlamb@gmail.com

Andrew McCurdy

2408 Highway 236
Beaver Brook NS B6L 1H4
cell: 902-897-7998
home: 902-895-0142
fax: 902-843-2475
email: bidalosy@gmail.com

Dustin Swinkels

7685 Highway 4
Afton NS B0H 1A0
cell: 902-870-2980
fax: 902-386-2710
email: aftonhills@ns.sympatico.ca

Hans Vermeulen

65 Main Street W.
Stewiacke NS B0N 2J0
cell: 902-440-3595
home: 902-639-1552
fax: 902-758-2590
email: hans.m.vermeulen@gmail.com

Tony Versteeg

2362 Heatherton Guysborough Rd.
Heatherton NS B0H 1R0
home: 902-863-7999
fax: 902-386-2816
email: silversteeg@hotmail.com

Elizabeth Crouse

Appointed by Minister of Agriculture
74 Research Drive
Bible Hill NS B6L 2R2
phone: 893-6511
fax: 893-6573
email: elizabeth.crouse@novascotia.ca

2019 MILK COMMITTEE MEMBERS

Region 1

Gary Benison
William Cox
Robbie Sutherland
Arnold Verschuren

Region 3

Vincent Kouwenberg
Alan Porter
Lauchie MacEachern
Nick van Vulpen

Region 5

David Anderson
Darren Davidson
Lindsay Greenough
Phillip Vroegh

Region 2

John Oostvogels, Jr.
Jason Van der Linden
Derek MacNeil
Vacant

Region 4

Alex Brown
Joseph Heukshorst
Jeff Scothorn
Murray Holman

Region 6

Geoff Bishop
Rob Carree
James Kinsman
Kees Langelaan

NOTES



18th Annual General Meeting
January 16-17, 2019

EVALUATION FORM

PROGRAM

How informative/useful did you find the following:

	(low)				(high)
Canadian Dairy Commission Report	1	2	3	4	5
Dairy Farmers of Canada Report	1	2	3	4	5
A4 Committee Update	1	2	3	4	5
Phil Vanderpol - Vitalus Nutrition Inc.	1	2	3	4	5
Business Meeting	1	2	3	4	5
Policy Discussions	1	2	3	4	5
Brooke McNeil - Dal 'AC	1	2	3	4	5
proAction Update	1	2	3	4	5
Morneau Shepell - Producer Benefit Changes	1	2	3	4	5
Closed Session	1	2	3	4	5
Overall Program	1	2	3	4	5

MEETING FACILITY

	(low)				(high)
Meeting Room.....	1	2	3	4	5
Hotel Room	1	2	3	4	5
Meals.....	1	2	3	4	5
Banquet.....	1	2	3	4	5

TIME OF YEAR: Good ____ Poor ____ Change to: _____

NEXT YEAR'S ANNUAL MEETING:

Suggested location(s): _____

Suggested topic(s)/speaker(s): _____

General Comments:



Saputo



100-4060 Highway 236
Lower Truro NS B6L 1J9
Phone: (902) 893-6455
Fax: (902) 897-9768
www.dfns.ca
dfns@dfns.ca